

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (11/30):**

BUTTER: Grade AA closed at \$1.3050. The weekly average for Grade AA is \$1.3517 (-.0271).

CHEESE: Barrels closed at \$1.2900 and blocks at \$1.3300. The weekly average for barrels is \$1.2920 (+.0595) and blocks, \$1.3390 (+.0273).

NONFAT DRY MILK: Extra Grade closed at \$0.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$0.9900 (N.C.) and Grade A, \$1.0000 (N.C.).

BUTTER: The butter market is weak and unsettled. At the CME, the butter price is moving lower and seems to be looking for a level that's comfortable for both buyers and sellers. Churning activity is moderate to heavy, but lighter than last week. Bulk butter stocks are more than adequate to cover needs and some buyers are trying to get sellers to discount prices. Packaged butter supplies are in closer balance due to recent, good orders from the retail sector. Retail demand is in a lull as most stores are assessing their post-Thanksgiving stocks before reordering for the yearend holidays.

CHEESE: The cheese market is steady to firm. Current bulk and packaged cheese demand is good. Buyers are trying to rebuild inventory for the yearend holiday season. Current price levels allow for some extra promotional activity. Food service interest has improved for the holiday party season. Current supplies are tight on several varieties, especially current. Cheese stocks often seem the tightest in the West. Some producers are committed on anticipated production well into December. Limited volumes of extra milk were available for manufacturing over the holiday weekend though supplies have returned to normal.

FLUID MILK: Milk production is steady to slightly higher in the Northeast, Middle Atlantic, and California, higher in the Southeast and declining seasonally in the Northwest. Florida's need for milk reversed itself this week. Instead of importing milk, Florida handlers shipped surplus milk out of state for processing. Some extra milk was available for manufacturing during the Thanksgiving period and into this week. Few facilities, if any, were pressed to handle any extra milk they received. With the announcement of the December Class I base price, an interesting scenario developed. December's Class I base is \$3.78 less than November's price. Many bottlers regulated under Federal orders, slowed operating schedules on November 29 & 30 and expect to run very heavy on December 1 & 2. This allows them to take short-term advantage of the large price spread between November and December. Demand for bottled milk is reported as slow to fair, even with school lunch pipelines being refilled. The fluid cream market is termed as seasonal. Supplies are long, but easily handled. Some trucking issues were caused by this week's storms in the Rockies, North Central and South Central areas.

DRY PRODUCTS: There is little change in most of the dry product markets this week. Nonfat dry milk (NDM) production was a little heavier last week and into early this week. This was generally due to the heavier supply of surplus milk during the Thanksgiving holiday period. Supplies of NDM are tight in the East and Central regions, more than ample in the West where producers continue to offer powder to CCC. The dry whey market is steady at generally firm levels. Production is light to moderate and producer stocks are closely balanced to tight, tightest in the eastern portions of the country. Domestic

demand remains good, but often export interest is not as aggressive as it has been. Exporters are noting that sold product is not being picked up in a timely fashion. The lactose market is firm and prices are unchanged. Supplies are light and prices for first quarter contracts are expected to be higher. The WPC market is steady to weak. Offerings range from light on brand specific product to long. The animal feed side of the market is weak as users are turning to CCC sellback of NDM for more of their needs or work off existing inventories before returning to the market.

CCC: During the period of November 21 - 30, adjusted purchases totaled 20,364,362 pounds of Western NDM under the price support program.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the November 2001 prices under the Federal Milk Order pricing system with changes from October 2001: Class II \$12.78 (-\$0.75), Class III \$11.31 (-\$3.29); and Class IV \$11.97 (-\$0.80). Product price averages used in computing Class prices are: butter \$1.3040, NDM \$0.9349, cheese \$1.2322, and dry whey \$0.2823. The Class II butterfat price is \$1.4570 and the Class III/IV butterfat price is \$1.4500. Further information may be found at: www.ams.usda.gov/dairy/mib/classprcacnmt.pdf

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for December 2001 is \$11.98 (down \$3.78 from November). This price is derived from the advanced Class IV skim milk pricing factor of \$7.15 and the advanced butterfat pricing factor of \$1.4513 per pound. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for December is \$7.85 and the Class II nonfat solids price is \$0.8722 per pound. The following are the two-week product price averages: butter \$1.3051, nonfat dry milk \$0.9342, cheese \$1.2182 and dry whey \$0.2851.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first nine months of 2001 totals 126.0 billion pounds, 0.4% higher than the same period in 2000. Comparing disappearance levels with year earlier levels: butter is -4.4%, American cheese, +2.7%; other cheese, +0.3%; NDM, +29.1%; and fluid milk product, -0.7%.

CONSUMER PRICE INDEX (BLS): The October CPI for all food is 174.9, up 3.4% from October 2000. The dairy products index at 170.8 is up 5.5% from a year ago. The following are the October-to-October changes for selected products: fresh whole milk +7.0%, cheese +5.0%, and butter +37.6%.

DAIRY SITUATION AND OUTLOOK (USDA, ERS): Wholesale butter and cheese prices have regained a portion of their earlier plunges. Buyers have returned to the market as both retail sales and restaurant use apparently have been fairly good. Retailers quickly began price specials, particularly for butter, once wholesale prices dropped. Prices for butter and cheese probably will be unsettled during the next couple of months but large changes are not expected. Product movement will drop seasonally sometime in the next few weeks as the last holiday orders are filled. Meanwhile, milk production, while recovering, did not manage to reach year-earlier levels in October. In addition, increases in milk production and slowing demand are expected to develop only gradually. Milk prices are estimated to be lower in both the first and second quarters of 2002.

*****SPECIALS THIS ISSUE*****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY NOVEMBER 26	TUESDAY NOVEMBER 27	WEDNESDAY NOVEMBER 28	THURSDAY NOVEMBER 29	FRIDAY NOVEMBER 30	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2800 (+.0300)	\$1.2900 (+.0100)	\$1.3000 (+.0100)	\$1.3000 (N.C.)	\$1.2900 (-.0100)	+.0400	\$1.2920 (+.0595)
40# BLOCKS	\$1.3475 (-.0025)	\$1.3500 (+.0025)	\$1.3375 (-.0125)	\$1.3300 (-.0075)	\$1.3300 (N.C.)	-.0200	\$1.3390 (+.0273)
BUTTER GRADE AA	\$1.3800 (N.C.)	----	\$1.3700 (-.0100)	----	\$1.3050 (-.0650)	-.0750	\$1.3517 (-.0271)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, NOVEMBER 26, 2001

CHEESE -- SALES: 1 CAR BARRELS @ \$1.2800; 14 CARS 40# BLOCKS: 1 @ \$1.3475, 1 @ \$1.3450, 2 @ \$1.3350, 1 @ \$1.3375, 1 @ \$1.3400, 1 @ \$1.3425, 1 @ \$1.3475, 1 @ \$1.3450, 1 @ \$1.3425, 3 @ \$1.3450, 1 @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2900; 7 CARS 40# BLOCKS: 4 @ \$1.3475, 1 @ \$1.3500, 1 @ \$1.3600, 1 @ \$1.3700

BUTTER -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR @ \$1.4000

TUESDAY, NOVEMBER 27, 2001

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2900; 1 CAR 40# BLOCKS @ \$1.3500; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.3100

WEDNESDAY, NOVEMBER 28, 2001

CHEESE -- SALES: 6 CARS BARRELS: 5 @ \$1.3000, 1 @ \$1.3050; 8 CARS 40# BLOCKS: 2 @ \$1.3475, 1 @ \$1.3450, 2 @ \$1.3475, 1 @ \$1.3375, 1 @ \$1.3450, 1 @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3000; 8 CARS 40# BLOCKS: 1 @ \$1.3375, 2 @ \$1.3450, 3 @ \$1.3475, 2 @ \$1.3500

BUTTER -- SALES: 3 CARS: 1 @ \$1.3800, 2 @ \$1.3700; BIDS UNFILLED: 2 CARS: 1 @ \$1.3600, 1 @ \$1.3500; OFFERS UNCOVERED: 5 CARS: 1 @ \$1.3750, 1 @ \$1.3775, 2 @ \$1.3800, 1 @ \$1.3850

THURSDAY, NOVEMBER 29, 2001

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.3300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS BARRELS: 2 @ \$1.3000, 1 @ \$1.3025, 1 @ \$1.3050, 1 @ \$1.3075; 2 CARS 40# BLOCKS: 1 @ \$1.3375, 1 @ \$1.3475

FRIDAY, NOVEMBER 30, 2001

CHEESE -- SALES: 6 CARS BARRELS: 3 @ \$1.2900, 1 @ \$1.2925, 1 @ \$1.2825, 1 @ \$1.2900; 18 CARS 40# BLOCKS: 4 @ \$1.3300, 1 @ \$1.3250, 2 @ \$1.3275, 1 @ \$1.3250, 3 @ \$1.3275, 1 @ \$1.3300, 1 @ \$1.3275, 1 @ \$1.3150, 1 @ \$1.3250, 2 @ \$1.3275, 1 @ \$1.3300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS BARRELS @ \$1.2900

BUTTER -- SALES: 5 CARS GRADE AA: 1 @ \$1.3500, 1 @ \$1.3400, 2 @ \$1.3100, 1 @ \$1.3050; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.2950; OFFERS UNCOVERED: 9 CARS GRADE AA: 1 @ \$1.3275, 1 @ \$1.3325, 1 @ \$1.3450, 1 @ \$1.3500, 1 @ \$1.3625, 1 @ \$1.3650, 1 @ \$1.3700, 1 @ \$1.3725, 1 @ \$1.3750

CORRECTION: Trading for November 21 in last week's report was incorrect. The activity below represents the actual trading for that day. We are sorry for any inconvenience this may have caused.

WEDNESDAY, NOVEMBER 21, 2001

CHEESE -- SALES: 10 CARS BARRELS: 1 @ \$1.2600, 1 @ \$1.2450, 2 @ \$1.2400, 2 @ \$1.2300, 1 @ \$1.2400, 1 @ \$1.2500, 1 @ \$1.2400, 1 @ \$1.2500; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.3500, 1 @ \$1.3300, 1 @ \$1.3200, 1 @ \$1.3100; OFFERS UNCOVERED: 10 CARS BARRELS: 6 @ \$1.2500, 1 @ \$1.2575, 3 @ \$1.2600

BUTTER -- SALES: 5 CARS: 1 @ \$1.3750, 1 @ \$1.3775, 1 @ \$1.3750, 2 @ \$1.3775; BIDS UNFILLED: 2 CARS: 1 @ \$1.3800, 1 @ \$1.3775; OFFERS UNCOVERED: NONE

OCOTBER COLD STORAGE

According to NASS, October month-ending cold storage figures for butter total 95.0 million pounds, 62.9% more than last year, but 10.2% lighter than September holdings.

NORTHEAST

The market tone is firm, but still somewhat unsettled. Churning activity was heavier during the holiday week, but it should ease this week as cream usage in Class II products return to more normal levels. Typically, post-Thanksgiving demand is just fair as buyers assess their inventories before placing orders for year-end holiday needs. Distributors are quite active as many were closed one or two days last week and are trying to catch up with customer needs. Currently, butter stocks are readily available to meet needs. Retail sales are often slower after pre-holiday features moved good volumes. Food service orders are generally improved as the Christmas shopping season is now under way, which gives a nice boost to restaurants' business. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

Butter markets remain unsettled. Orders are typical for a post-Thanksgiving week. Most retailers are working off inventories before reordering. Heavy, pre-Thanksgiving feature activity may play a part in the early December sales as retail

BUTTER MARKETS

costumers "stocked up" when prices were down. After holding around the \$1.38 level at the CME since mid-month, the butter price slipped one cent during the November 28, trading. The most recent Cold Storage report indicates that butter stocks are quite a bit heavier than a year ago. Churning activity is moderate to heavy, but easing slightly this week as Class II cream sales rebounded somewhat. Stocks of bulk and packaged butter are more than ample for current needs. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing basis.

WEST

Buyers are assessing their need to reorder butter after the Thanksgiving holiday rush and believe that sales were generally good. Feature activity was better than anticipated. A few contacts noted that some featured/branded butter on store shelves ran out at times during the buying period before the holiday. A number of butter producers are noting that bulk butter sales have improved sharply this week, often due to demand from the bakery industry. Churning activity was more active last week due to additional cream supplies being available. With the bimonthly change in the cost of cream going into Class 2 & 3 products in California this weekend, demand is expected to be strong next week for those commodities. CME weekly butter stocks declined by 7.3 million pounds over the last two weeks and stand at 23.3 million pounds. (Note that the survey sample has undergone an annual review.) Current prices for bulk butter range from 3 1/2 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
NOVEMBER 24	1.2213 6,465,105	1.1823 8,452,669	0.9328 12,220,996	1.3516 3,561,795	0.2857 6,450,793

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are generally 6-plus cents higher on process and most natural items, but unchanged on Swiss. The market tone is firm, but unsettled as contacts wonder how high prices at the CME will get. Through November 26, 40# block prices have advanced for five of the last six sessions and barrel prices have moved higher in four straight. Buyers appear to be taking cheese as they need it, not wanting to have too much on hand should prices fall. Cheese output in the East is steady to heavier as more milk was available during the holiday period. Demand is about steady. Distributors are expected to be busy early this week as many were closed over the long weekend. Food service orders are improving as the Christmas shopping season is a good time for restaurants. Retail sales are fair to good.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.3550-1.8250
Cheddar Single Daisies	:	1.3125-1.7725
Cheddar 40# Block	:	1.4525-1.5700
Process 5# Loaf	:	1.4425-1.6025
Process 5# Sliced	:	1.4625-1.7200
Muenster	:	1.5150-1.7225
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady to firm. Prices continue to move erratically higher though many traders hope prices will plateau soon. Cheese demand has increased as buyers reload for the year-end holidays. Overtime has been increasing as packagers race to fill orders. Some operations worked an extra day over the holiday weekend to make up for the time lost on Thanksgiving. A few inquiries from Western buyers have been reported in recent weeks. Overall, cheese supplies have tightened. Generally, current varieties are in the tightest position and delays are not uncommon. More producers are fully committed on their anticipated production for extended periods. Retail interest is good, particularly where feature activity is/has been underway. Aged cheddar interest has improved yet often seems to lag normal seasonal expectations. Mozzarella interest is seasonally good though generally not as frantic as a few weeks ago. Process interest is steady to occasionally stronger, particularly at retail when featured. Cheese production is generally below year ago levels at many Midwestern plants. Cheese yields remain seasonally good.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4525-1.9000
Brick And/Or Muenster 5#	:	1.7300-1.8725
Cheddar 40# Block	:	1.6900-2.1150
Monterey Jack 10#	:	1.9050-2.1150
Blue 5#	:	2.0625-2.3900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7500-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.1175-2.6900

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	NOVEMBER 26 - 30, 2001
BARRELS*	:	\$1.2425 - 1.3150 (NOMINAL)
	:	(\$.0625) (.0650)
40# BLOCKS	:	\$1.3425 - 1.3625 (NOMINAL)
	:	(\$.1000) (.0825)

() Change from previous week. * If steel, barrel returned.

WEST

Natural and process prices are sharply higher following trading at the CME cash cheese market over the past few weeks. Swiss prices range from steady to slightly lower. Demand for cheese is excellent and conditions seem to be tighter in the West than the rest of the country at this time. Buyers continue to aggressively look for cheese for short term needs. Buyers don't have all the cheese that they need for the upcoming end of the year holiday season and time is running out. Finding trucks for immediate deliveries has been a problem due to the holiday period last week and some winter weather through parts of the Great Plains. Cheese manufacturers continue to look for additional supplies of short-term milk for processing. Current cheese stocks are relatively tight. American cheese stocks at the end of October were 458.5 million pounds, down 6% from the previous month and down 16% (88.2 million pounds) from last year. Swiss stocks are down 32% from last year and stand at 10.7 million pounds.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3875-1.6475
Cheddar 40# Block	:	1.4300-1.5925
Cheddar 10# Cuts	:	1.6100-1.8300
Monterey Jack 10#	:	1.6200-1.7800
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.5300

FOREIGN

Prices are nearly seven cents higher on domestic styles, unchanged on imported. The market tone is improving along seasonal patterns, but the relatively high prices, particularly at retail, are affecting consumption. With U.S. prices again moving higher, interest for imported processing solids is noted. However, reports out of Europe indicate tighter supplies of some cheeses and higher prices as the EU's internal demand holding at good levels. Imports are steady to lighter and new orders are light. This is typical for the end of the year when licenses expire. Most importers are thinking/strategizing about their 2002 needs and planning accordingly.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.6575-3.1525*
Gorgonzola	: 3.2400-5.9400	: 2.1575-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0750-3.1275*
Romano (Italy)	: 2.1000-2.9900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.6650-1.8850*
Romano (Cows Milk)	: -0-	: 2.8450-5.0250*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.5900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9500	: -0-
Gouda, Large	: 2.3900-2.6800	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
11/26/01	14,034	124,084
11/01/01	24,443	124,923
CHANGE	-10,409	-839
% CHANGE	-43	-1

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	52	4	0	5	0
SOUTHEAST STATES	14	0	14	0	21	0

The base price for Class I milk for December 2001 is \$11.98 per cwt., down \$3.78 from November. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for December is \$7.85, down nine cents from November. Milk production in the East is generally steady in the more northern areas, increasing in the Southeast. Fluid milk supplies are heavier in Florida and this week handlers there had to ship loads out of state for processing. A combination of a heavy "carry over," slower than expected demand, and increased milk production in the state all led to the cancellation of incoming loads and need to clear more than fifty loads of milk this week. All across the region, contacts are stating that bottled milk demand is lackluster and that bottlers are maneuvering to take advantage of the large drop (\$3.78 per cwt) in December's Class I milk price. Bottlers are slowing operations to the degree that they can on Thursday and Friday of this week and will "really hit it hard" on Saturday and Sunday when the new, lower Class I prices are in effect. Surplus milk volumes are heavier and particularly noticeable in the Southeast where some balancing plants are full. However, the region's processing capacity was far from being tested. In the Northeast, manufacturing plants were more active during the holiday period, but things are getting back to pre-Thanksgiving levels. The condensed skim market is little changed and prices are steady to lower within the ranges. Class II condensed skim is generally moving in the lower half of the range, but a few prices at the upper end of the range continue to be reported. Demand is fair to occasionally improved, but drying did increase during the holiday weekend. The fluid cream market is slightly improved, but supplies are still more than ample for current Class II needs. Spot prices are slightly higher due more to the change in the CME butter price than a change in multiples. Some ice cream plants are back on line after an extended downtime last week. Other operations continue to operate as they have been. Cream cheese output is holding about steady. Egg nog production is limited and, if historical patterns are to be followed, should pick up during the second week of December to fill Christmas and New Years' needs. Churning activity is moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7235-1.8752
DELIVERED EQUIVALENT ATLANTA	-	1.7097-1.8890 M 1.7649-1.8200
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7373-1.8752

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES -	1.0000-1.0800
NORTHEAST- CLASS III - SPOT PRICES	- .9800-1.0600

M I D W E S T

Class I demand declined during the holiday period and generally limited volumes backed into manufacturing channels over the long weekend. Reports of milk moving intra-regionally were common but generally handled with minimal difficulty. Since the holiday weekend, good bottling demand was noted though a few handlers hope that the much lower Class I base price could help stimulate additional promotional activity in December. Some manufacturers seeking distressed loads over the holiday weekend found supplies were limited. Spot manufacturing milk prices ranged from just slightly below class upwards to \$1.50 over. After the weekend, spot prices rebounded to \$1.50 - 2.00 over on a light test. Some extra milk volumes were condensed over the holiday rather than sold as surplus. Condensed skim interest remains good as many cheese

operations boost production with condensed. Reported condensed prices are steady. Cream demand was mixed, lighter over the long holiday weekend but interest returned after the weekend. Milk intakes in the upper tier of states are fairly steady with the usual slight increases and decreases from recent weeks noted. In the mid-section of the region, milk intakes continue to increase steadily. Heavy rain and light to heavy snow blanketed many parts of the upper tier of Midwestern states, while others just received needed rain. Not all cattle needed to be housed for winter until temperatures cooled recently. In some areas of the upper Midwest, November has been one of the warmest on record. The fall harvest and tillage have generally been completed and equipment shedded for winter except for the usual stragglers.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	NOVEMBER 21-28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 39.00	\$ 35.00- 40.00
REPLACEMENT HEIFER CALVES	\$350.00-480.00	\$280.00-380.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	NOVEMBER 21-28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 44.00	\$ 31.00- 44.25

W E S T

October pool receipts of milk in California total 2.793 billion pounds, 6.2% higher than last year. Cumulative pool output through ten months of 2001 totals 27.568 billion pounds, up 4.6% from the comparable, unadjusted period in 2000. The October blend price, at a fat test of 3.69%, is \$13.90, \$2.21 higher than September, but \$2.73 higher than a year ago. The percentage of receipts used in Class 1 products is 20.43%. The October quota price is \$14.71 and the base and overbase prices are \$13.01. These prices are \$2.24 lower than last month but \$2.42 higher than October 2000. As was generally expected, milk was handled efficiently within normal marketing channels throughout the Southwest over the extended holiday weekend. Handlers were pleased with the situation as "things" went as planned. In California, milk output is mostly steady at levels above a year ago. Solids and fat content of milk are noted to be seasonally higher. Bottling schedules were returning to pre holiday levels and geared towards school needs again. New Mexico experienced a snow event over much of the milk producing areas. The impact was not felt immediately on the milking herds, but the conditions were causing delays in the farm pickups and hauling. Temperatures are forecast to be higher and this should melt much of the snow. In Arizona, milk production is trending slightly higher with gains in fat and protein noted. Milk was handled normally. Western cream multiples held mostly steady within the 115 to 132 range, FOB. Loads were handled well by normal accounts over the weekend. Distressed loads were at a minimum. Butter production was higher to process cream. Holiday item schedules are being reactivated to build supplies for the year-end holidays. Rain and snow continue to be wide spread over much of the Pacific Northwest. Some localized flooding was noticed last week and again this week. Some areas are now reporting that they are above normal levels on moisture. Milk production continues to decline seasonally. Demand for heifers remains strong. Some below zero temperatures are noted in the Utah and Idaho region this week. November moisture levels may go down as the wettest on record in some parts of the region. The change was caused by the two storms that occurred during and after Thanksgiving. Some areas have well over 100 inches of snow now in the mountains after having none early last week. The snow was also very heavy and dense with the moisture content equal to about 10 inches of rain in some locations. Plants are guessing that the change in weather patterns will have some negative impact on milk production in the near future. Correction: The December statewide Class 1 price in California based on production is \$13.66. The average is \$2.54 lower than November and \$0.98 lower than December 2000. The changes from the comparison months were switched in last week's report.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 11/29/01 and represent FOB Central and Western production areas. Prices represent CL/TL quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are unchanged to higher and nominal on a mostly steady market. Milk intakes into NDM plants were less than anticipated for the holiday weekend. Increases in NDM production were readily cleared into brokerage facilities and some cheese plants. Demand is mostly fair with some decreased interest into blending facilities as sales of seasonal products like hot chocolate are lower due to the mild winter thus far. Western supplies are competitive and trading at prices at and below the lower end of the range. High heat demand is steady on light production schedules. Mostly prices for report 48 in 2000 were 1.0250-1.0275.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9550 - .9700 MOSTLY: .9550 - .9700

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady to weak market. More buttermilk was produced over the holiday weekend and supplies are anticipated to increase into the next month. However, current stocks are not yet encouraging prices to decrease. Some offering prices are being noted below the range for the light interest. Most buyers suspect that the market will decline and are therefore delaying additional purchases. Condensed buttermilk movement is decreasing seasonally as ice cream interest declines. Prices for report 48 in 2000 were 1.0050-1.0500.

BUTTERMILK: 1.0100 - 1.1150

DRY WHEY - CENTRAL

Prices are unchanged to higher on a steady to firm market. While some production increases were noted over the holiday weekend, supplies remain short of demand. Many plants are sold out. However, some buyers are able to receive additional loads on their contractual shipments upon request. Contract negotiations for 2002 are progressing slowly. Some producers are requesting premiums of 2 cents over the average and are meeting resistance from the buy end. Flat pricing is also noted for quarterly contracts. Condensed supplies are mixed. Supplies appear tight into WPC/lactose facilities yet product is available into feed facilities. Mostly prices for report 48 in 2000 were .2200-.2300.

NONHYGROSCOPIC: .2950 - .3100 MOSTLY: .2950 - .3000

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on a steady market. While milk replacer supplies are often difficult to find, prices are generally trending unchanged. Production is increasing at some locations with some plants anticipating higher offering prices in light of the tight supplies on the Extra Grade market. Roller ground production is increasing in response to higher cheese and condensed whey production. Stocks are clearing well for the steady contractual interest. Delactose demand continues strong. Feed buyers are seeking additional loads on their regular commitments. Contractual negotiations for 2002 are slowly evolving with some price increases anticipated in response to the limited supplies. Prices on milk replacer, roller ground and delactose for report 48 in 2000 respectively were .1900-.2000, .2000-.2200 and .3750-.4000.

MILK REPLACER: .2400 - .2650

ROLLER GROUND: .2800 - .2950

DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Lactose supplies remain tight. Export markets are slow to react to 2002 contractual negotiations, yet some producers are reporting higher prices. Traders believe that if the market continues to firm, alternative sugar sources may be sought. Some spot movement is being noted into Canada and Asia. Pharmaceutical demand is improving for higher mesh product. Feed interest is strong and supplies are insufficient to meet demand. Production is steady to slightly higher in light of increases in cheese and whey production. Permeate and off grade supplies are difficult to find for the good feed demand. Mostly prices for report 48 in 2000 were .1600-.1700.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .2000 - .2675 MOSTLY: .2050 - .2300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a steady to weak market. While brand specific product continues to gain standard premiums to the current market, some producers are finding the need to discount in order clear building supplies. Offering prices into the feed industry continue at 3-4 cents under the market. Feed buyers are generally resistant to manufacturer offerings due to the availability of CCC NDM supplies. Resale CCC NDM supplies are being offered at 70-72 cents delivered. Some veal feed facilities are stating that they are not seeking any WPC contracts in 2002. They would prefer to work off of their CCC NDM stocks and wait to see where the WPC market settles. WPC producers are generally stating that they aim to make more high protein and less 34% in 2002. Therefore, they will also have less of a need to deal with the feed industry. Demand from nutraceuticals and export markets is steady. Off grade 34% and 80% is readily available at some locations. Mostly prices for report 48 in 2000 were .7275-.7375.

EXTRA GRADE 34% PROTEIN: .7000 - .7650 MOSTLY: .7300 - .7650

NONFAT DRY MILK - WEST

Low/medium heat prices are mostly steady and the market tone remains weak. Production continues to outpace the current demand patterns. Buyers are securing contract and nearby needs, but are cautious about the possibility of a change in the support price. Likewise, producers continue to assess production and sales data and offer the extra NDM to the CCC under the support program. New DEIP sales are providing limited relief for the depressed NDM market. Production was higher over the weekend to process extra milk, but soon returned to normal. Stocks continue to be in excess. During the holiday-shortened period of November 19 - 20, Western producers offered adjusted purchases of 4,762,379 pounds of NDM to the CCC. High heat prices are unchanged and the market tone is steady. Production schedules were slightly more active over the last week as producers prepare for future orders. Demand was improved over last week, but mainly centering on contracted amounts.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8950 - 1.0250 MOSTLY: .9000 - .9450

HIGH HEAT: .9650 - 1.0200

DRY BUTTERMILK - WEST

Dry buttermilk prices and the market tone are holding mostly steady in limited trading. Despite higher butter output, there seems to be limited spot availability of dry buttermilk in the region. Drying plants have the room and time to dry product. Sales of condensed buttermilk and movements of contracted powder are noted to be good. Stocks continue to be light.

BUTTERMILK: 1.0300 - 1.0750 MOSTLY: 1.0400 - 1.0500

DRY WHEY - WEST

Western whey prices range from steady to fractionally lower. Domestic sales activity continues to be rated as very good. Concerns continue to be expressed about export sales activity. Product that has been sold is slow in clearing out of the warehouse and new sales are becoming more difficult to put together. These problems are not having much impact on the market since production is generally lower and stocks, overall, are in close balance. Many cheese plants were expecting to see extra milk supplies last week. Output was up, but not as much as hoped and it declined again this week. The first winter storms of the season are stressing the milking herds to some extent and causing some logistical problems.

NONHYGROSCOPIC: .2650 - .2900 MOSTLY: .2675 - .2800

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
November 23	\$.9272	7,837,287
November 16	\$.9182	12,810,848

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities for domestic and export sales in 25 kg. or 50 lb. bags, and totes, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are steady. Northeastern prices remain nominal. Eastern production increased last week as more surplus milk was available during the holiday period. Also, shipments of milk into Florida reversed themselves this week. Florida handlers sent 50+ loads out of state for processing. Although milk shipments to Florida had been relatively light, the milk earmarked for shipment, did stay in the Middle Atlantic area and had to be processed. This extra milk was often times welcomed as many plants had been running on greatly reduced schedules. The increased output did little to add to the tight supply of NDM in the East. Producers stated that the new production moved "swiftly out the door." Demand for NDM is fairly brisk, but often to regular accounts. Spot demand is generally satisfied in the resale market. Buyers are taking powder as needed with year end inventories in mind.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: .9600 - 1.0000 MOSTLY: .9625 - .9775

HIGH HEAT: .9800 - 1.0200 MOSTLY: .9900 - 1.0200

DELVD SOUTHEAST:

ALL HEATS: .9700 - 1.0300

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady and nominal in the Northeast, steady in the Southeast. The market tone is unchanged. Churning activity increased during the Thanksgiving holiday period when surplus milk and cream supplies were heavier. However, this week cream supplies are not as long and churning has eased slightly. Buttermilk drying is about steady, occasionally heavier. With more than a few ice cream makers down for various periods of time last week, condensed buttermilk sales slowed. Drying increased at some plants. Producer stocks remain light and closely balanced. Spot demand is slow to fair.

F.O.B. NORTHEAST: 1.0000 - 1.0500

DELVD SOUTHEAST: 1.0400 - 1.0950

DRY WHOLE MILK - NATIONAL

Prices and the market tone are little changed. Production levels are light to moderate, mostly light as output is geared toward meeting orders. With milk prices anticipated to be lower in coming months, some makers may then move more milk into dry whole milk production if they have the dryer time. Demand is seldom better than fair.

F.O.B. PRODUCING PLANT: 1.2000 - 1.4000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH NOVEMBER 23, 2001
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 4,494 MT (9,907,472 LBS)
CHANGE -- 1,545 MT (3,406,107 LBS)

CHEESE -- 3,030 MT (6,679,938 LBS)

This program-year allocation is filled.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are generally steady and the market tone is unchanged. Production levels are about steady. Some cheese makers did have additional milk volumes to process last week, but others reported steady milk receipts. Dry whey production is about steady at slower than desired levels. Most Eastern producers are struggling to catch up with existing orders. At the producer level, there is little whey powder available for spot sale. Spot needs are generally filled on the resale side of the market. Demand is good. However, dry whey production and inventories typically increase during the holidays and into the first quarter of a year when milk supplies are long. Because of the anticipated slow recovery in milk production in the coming months, many contacts are unsure of where prices will settle out or if they will decline much at all. Therefore, few are taking any positions, particularly with dry whey prices near the thirty-cent level. Buyers are currently contracting with producers for next year's needs.

F.O.B. NORTHEAST: EXTRA GRADE .2925 - .3025

USPH GRADE A .3000 - .3125

DELVD SOUTHEAST: .3175 - .3350

EVAPORATED MILK - NATIONAL

Prices and the market tone are generally steady. Production levels are about steady to heavier in some locales. However, with milk prices expected to move lower during the coming months, some producers are waiting before replenishing their inventories. Retailers should have their Christmas/New Year's orders placed, but some are assessing post-Thanksgiving stocks before looking ahead to the year end holiday needs. Producer stocks are at or near their annual low point as this time of year and typically see the biggest draw down of inventories.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

New information is limited and pricing levels are unchanged this week for both casein types. Contacts are assessing needs for the next quarter and year. Rennet demand is stronger than acid at the present time. Offerings are tighter for current delivery for rennet. Acid casein is more available and may face pricing pressure for future contracts.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.4000 - 2.7300

ACID: 2.4500 - 2.6500

FEDERAL MILK ORDER ADVANCE PRICES, DECEMBER

Class I Base Price -- Under the Federal milk order pricing system, the Class I base price for December 2001 is \$11.98 per cwt. This price is derived from the advanced Class IV skim milk pricing factor of \$7.15 and the advanced butterfat pricing factor of \$1.4513. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** -- The advanced Class IV skim milk pricing factor is \$7.15. Thus, the Class II skim milk price for December is \$7.85 per cwt., and the Class II nonfat solids price is \$0.8722. **Product Price Averages** -- The two-week product price averages for December are; butter \$1.3051, nonfat dry milk \$0.9342, cheese \$1.2182, and dry whey \$0.2851.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION 1/ 2/				
Federal Milk Order Marketing Area 3/	Order Number	December 2001		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) 4/	001	15.23	10.40	1.4838
Appalachian (Charlotte) 5/	005	15.08	10.25	1.4823
Southeast (Atlanta) 6/	007	15.08	10.25	1.4823
Florida (Tampa) 7/	006	15.98	11.15	1.4913
Mideast (Cleveland) 8/	033	13.98	9.15	1.4713
Upper Midwest (Chicago) 9/	030	13.78	8.95	1.4693
Central (Kansas City) 10/	032	13.98	9.15	1.4713
Southwest (Dallas) 11/	126	14.98	10.15	1.4813
Arizona-Las Vegas (Phoenix) 12/	131	14.33	9.50	1.4748
Western (Salt Lake City) 13/	135	13.88	9.05	1.4703
Pacific Northwest (Seattle) 14/	124	13.88	9.05	1.4703
All-Market Average		14.56	9.73	1.4771

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus 0.05; and Minneapolis, minus, \$0.10. 10/ Class I prices at other cities are: Des Moines, minus 0.20; Omaha, minus 0.15; Oklahoma City, plus 0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I price at Boise is minus \$0.30. 14/ Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
AUG 2001	173.9	3.1	168.9	4.9	167.6	5.6	169.5	4.1	185.5	33.9	162.4	3.6
SEP 2001	174.1	3.1	169.4	4.8	167.0	5.2	171.6	5.3	187.8	37.2	162.4	3.5
OCT 2001	174.9	3.4	170.8	5.5	170.2	7.0	172.0	5.0	186.0	37.6	163.5	4.3
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Lowfat Milk ^{4/}		Butter ^{5/}		Process Cheese		Natural Cheese		Ice Cream ^{8/}	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	Dollars											
AUGUST	2.890	2.807	2.691	2.696	3.616	2.686	3.918	3.649	4.100	3.947	3.841	3.542
SEPTEMBER	2.941	2.809	2.653	2.697	3.697	2.595	3.984	3.650	4.143	3.876	3.815	3.586
OCTOBER	2.954	2.805	2.675	2.720	3.688	2.627	4.023	3.640	4.216	3.930	3.824	3.620

NA = Not available. ^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS-JULY-SEPTEMBER AND YEAR-TO-DATE 2000-2001 ^{1/}

Item	Jul.-Sep. 2000	Percent change ^{2/}	Jul.-Sep. 2001	Percent change ^{2/}	Jan.-Sep. 2000	Percent change ^{2/}	Jan.-Sep. 2001	Percent change ^{2/}
	Million Pounds							
<u>MILK</u>								
Production	41,161	3.5	40,634	-1.3	126,980	3.5	124,609	-1.5
Marketings	40,831	3.5	40,313	-1.3	125,998	3.5	123,656	-1.5
Beginning Commercial Stocks ^{3/}	10,691	16.3	9,907	-7.3	6,143	16.5	6,839	11.3
Imports ^{3/}	1,191	-15.4	1,521	27.7	3,352	-4.2	4,285	27.8
Total Supply ^{4/}	52,713	5.4	51,741	-1.8	135,493	3.8	134,780	-0.2
Ending Commercial Stocks ^{3/}	8,925	19.8	8,656	-3.0	8,925	19.8	8,656	-3.0
Net Removals ^{3/}	139	98.6	31	-77.7	674	205.0	129	-80.9
Commercial Disappearance ^{4/}	43,649	2.7	43,054	-1.4	125,894	2.5	125,995	0.4
<u>SELECTED PRODUCTS ^{5/}</u>								
Butter	332.3	4.6	314.4	-5.4	917.6	-2.2	873.5	-4.4
American Cheese	915.2	-1.6	921.0	0.6	2,670.0	1.6	2,732.4	2.7
Other Cheese	1,256.3	6.4	1,210.5	-3.6	3,647.7	7.6	3,645.1	0.3
Nonfat Dry Milk	232.7	16.6	314.9	35.3	579.7	-1.0	746.5	29.1
Fluid Milk Products ^{6/}	13,709.6	-1.0	13,449.5	-1.9	41,303.0	-0.7	40,869.9	-0.7

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

THE DAIRY SITUATION AND OUTLOOK

Wholesale Dairy Prices Recover a Bit

Wholesale butter and cheese prices have regained a portion of their earlier plunges. Exchange prices for Cheddar cheese rose 16 to 19 cents per pound between late October and late November, about one-third of the drop from the late September peak. Similarly, butter prices have risen about 13 cents per pound following a drop of almost \$1 from the early September peak.

In early September, wholesale prices probably were headed for a downward adjustment in any case. The effects of economic weakness were starting to be felt, and milk production was slowly returning to year-earlier levels. In addition, pipeline stocks probably were unusually large because buyers reportedly started acquiring product for holiday use particularly early. The abrupt drop in buying for restaurant and travel-related use in mid-September precipitated the price declines. With ample pipeline stocks, buyers could minimize purchases on a falling market. Slow movement caused product to back up in warehouse stocks. Warehouse stocks of both butter and cheese declined very little in September, a month that normally sees a large seasonal decline.

Buyers have returned to the market as both retail sales and restaurant use apparently have been fairly good. Softening in demand for these products has thus far been fairly modest. In addition, retailers quickly began price specials, particularly for butter, once wholesale prices dropped. Meanwhile, milk production, while recovering, did not manage to reach year-earlier levels in October. Warehouse stocks of butter and cheese posted relatively large declines during October. Prices probably will be unsettled during the next couple of months but large changes are not expected. Product movement will drop seasonally sometime in the next few weeks as the last holiday orders are filled. However, wholesale movement might be stronger than normal through the post-holiday pipeline refilling period. In addition, increases in milk production and slowing demand are expected to develop only gradually.

DAIRY FORECASTS

	2001		2002		
	IV	ANNUAL	I	II	ANNUAL
Milk cows (thous.)	9,100	9,120	9,080	9,075	9,065
Milk per cow (pounds)	4,495	18,145	4,655	4,840	18,735
Milk production (bil. pounds)	40.9	165.5	42.3	43.9	169.9
Commercial use (bil. pounds)					
milkfat basis	44.0	170.0	40.7	43.4	173.1
skim solids basis	42.1	164.9	41.1	42.3	170.3
Net removals (bil. pounds)					
milkfat basis	0.0	0.2	0.1	0.0	0.2
skim solids basis	0.8	5.4	0.8	0.4	2.2
Prices (dol./cwt.)					
All milk	14.95-15.25	15.05-15.15	12.85-13.45	11.95-12.85	12.75-13.65

Source: ALivestock, Dairy, and Poultry Situation and Outlook@ LDP-M-89, November 28, 2001, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE PERIOD OF NOVEMBER 21 - 30, 2001			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 11/23/01	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	1,746,065	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	2,746,759	-0-	-0-
Process	-0-	-0-	-0-	-0-	1,821,600	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	6,314,424	-0-	-0-
NONFAT DRY MILK							
Nonfortified	20,474,592	110,230	20,364,362	42,804,393	67,891,346	616,844,000	-0-
Fortified	-0-	-0-	-0-	-0-	13,098,452	38,227,000	-0-
TOTAL	20,474,592	110,230	20,364,362	42,804,393	80,989,798	655,071,000	-0-

Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF NOVEMBER 21 - 30, 2001 =	4.5	237.0	COMPARABLE PERIOD IN 2000 =	35.3	183.4
CUMULATIVE SINCE OCTOBER 1, 2001 =	9.4	498.2	CUMULATIVE SAME PERIOD LAST YEAR =	76.1	1,005.2
CUMULATIVE JANUARY 1 - NOVEMBER 30, 2001 =	82.9	3,768.5	COMPARABLE CALENDAR YEAR 2000 =	236.8	6,184.2

* Factors used for Fat Solids Basis Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE PERIOD OF NOVEMBER 21 - 30, 2001 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	20,364,362	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	-0-	3,477,180	-0-	1,299,802	-0-	42.5
WEST	-0-	-0-	-0-	2,797,644	42,804,393	79,689,996	100.0	57.0
EAST	-0-	-0-	-0-	39,600	-0-	-0-	-0-	0.5
TOTAL	-0-	-0-	-0-	6,314,424	42,804,393	80,989,798	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/10/01 & Comparable Week 2000

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2001-Dairy	0.2	0.8	5.6	6.0	22.2	2.2	0.7	0.8	12.8	2.5	53.7	42.5
2000-Dairy	0.2	0.8	6.5	5.0	22.6	3.0	1.6	0.7	13.4	2.6	56.4	45.6
2001-All cows	0.2	1.0	7.8	15.4	33.2	17.9	19.1	6.0	17.2	8.7	126.5	47.9
2000-All cows	0.2	1.0	8.9	15.1	31.1	13.8	17.5	5.8	16.4	8.0	117.8	48.5

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37

FEDERAL MILK ORDER CLASS PRICES FOR 2001 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.99	11.94	12.65	13.44	14.21	14.99	15.34	15.40	15.56	15.93	15.76	11.98
II	12.82	13.43	14.17	15.10	15.72	16.05	15.96	15.98	16.24	13.53		
III	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60		
IV	12.13	12.70	13.46	14.41	15.04	15.33	14.81	15.06	15.59	12.77		

1/ Specific order differentials to be added to this base price are located at: www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm